

Vigorous small bank makes progress

By DAVID KRIVINE
Jerusalem Post Economic Correspondent

The main object of the Israel Industrial Bank is to supply working capital for industry, but it refused to join in a merger sponsored by the Foreign Trade Bank to form a single large working capital bank. It chose instead to stay independent.

Progress made during a period when modest-sized banks have tended to go under, vindicates the capacity of small undertakings to nourish their affairs, if they are properly managed.

The manager in this case is Mr. Aharon Kimchi, who used to head the Penchikwan Bank (it collapsed after he left). When he took over the IIB in 1967, his new team consisted of a main office in Tel Aviv and one branch in Haifa. Its capital (in 1966/67) was IL11m, its assets IL11m, and it was losing money.

Now its branches have grown from two to seven (in Tel Aviv, Jerusalem, Be'er Sheva, Ramat Gan, and another in Haifa), with two more opened last week (in Tel Aviv and Holon), making nine in all. Own capital is up from IL11m to IL140m, assets have grown from IL11m to IL100m, and, according to Mr. Kimchi, every one of the seven fully-operating branches shows a profit.

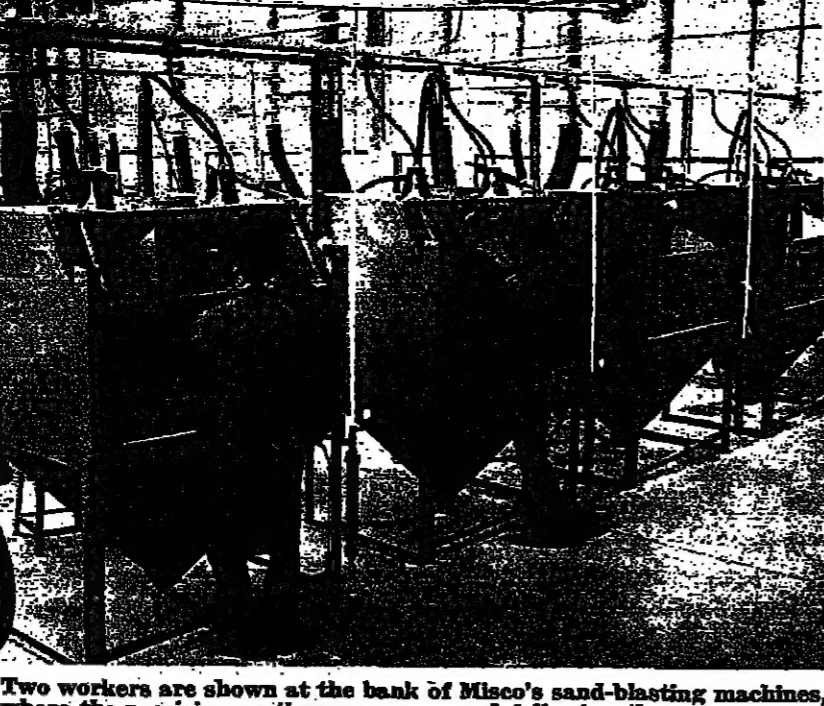
He says: "If we had more income from the Bank of Israel (which controls the growth-rate of the whole banking system), we would open more branches." The IIB is the bank of the Manufacturers Association, which owns a one-percent share giving it 26 per cent control. The enterprise operates like all other banks, with this exception, that whereas the others give on the average one-quarter of their credits to industry, the IIB gives 70 per cent of its credits to industry.

The bank has a finance company to provide long-term loans. This company will be putting out an issue of debentures later this year to the sum of IL5m, increasing its capital to IL40m.

SHEKEM SELLS IL18M OF MEAT

Jerusalem Post Reporter
TEL AVIV. — The annual sales turnover of Shekem's meat-packing plant in Yaxur — the largest of its kind in the country — amounts to IL18m, the general manager of Shekem, Mr. Hagan Geyor, said yesterday.

The plant, which extends over an area of 600 sqm., produces 30 different kinds of meat and 40 types of sausage for army camps and Shekem stores, Mr. Geyor said. It employs a rabbi and two kosher supervisors, as well as a veterinarian and two food technologists.



Two workers are shown at the bank of Misco's sand-blasting machines, where the precision castings are processed following the vacuum casting step.

5,000-YEAR-OLD SYSTEM USED FOR JET PARTS

By AARON SITTNER
Jerusalem Post Economic Reporter

HEBET SHEMESH. — White-frosted technicians using a 5,000-year-old process are busy here turning out thousands of precision castings for missile guidance systems, computers, steam turbines and surgical appliances.

After a year of running-in operations, company officials on Tuesday invited a group of local and foreign business reporters to tour the 3,000-square-metre plant, which nestles among the green knolls of Emek Ha'ela where, according to tradition, David slew Goliath. A joint venture of Howmet Corporation, of Muskegon, Michigan; the Government of Israel; and Beit Shemesh Engines Ltd. Misco-Beit Shemesh was established in March 1971 with an investment of IL18m, and produces Howmet's patented "Monoshell" system of investment castings.

Investment castings are castings manufactured through a nine-step process based upon the "lost wax" casting method used by the early Egyptians and Chinese over 5,000 years ago to form gold, silver and other precious metals. The term "investment" refers to the forcing of wax into a split die, under very high pressure.

Current orders at Misco-Beit Shemesh are running at a rate that will bring 1972's volume to IL3.5m, general manager Yitzhak Serper said. Of this, 75 per cent will go overseas. Total production next year is expected to reach IL6m, with 80 per cent intended for export. Foreign customers include the Turbomeca jet engine company in France, Tampella Industries in Finland and the Pratt and Whitney jet engine

PAN-LON NEGOTIATING ON BUILDING RENTAL HOMES

By SARAH HONIG
Jerusalem Post Reporter

TEL AVIV. — The Pan-Lon housing company, along with its new British partners, the Stern group, may soon venture into this country's first large-scale rental housing projects. This was revealed to The Jerusalem Post on Wednesday by Pan-Lon's managing director and founder, Ephraim Evron.

Mr. Evron says that talks on the projects have already started with various Government officials, especially in the Housing Ministry, and that "negotiations will get into full swing in about two weeks," when Mr. William Stern, who last week acquired a 50 per cent interest in Israel's largest private housing company, returns to Israel. He was here for several days over the week-end following the signing of the agreement which channelled millions of pounds into Pan-Lon following difficulties resulting from lack of liquidity.

Mr. Evron explained that a sizeable part of Mr. Stern's business affairs in England involve rental housing. "He is an expert in the field and it is almost a hobby with him. Israel needs such housing badly and Mr. Stern would like to go into the business here."

Before the founding of the State, there were small investments of personal savings by individuals in rental housing. A large-scale venture of this sort by a private construction company has not been tried in Israel yet. Here the funds and the know-how to do it. If our plans materialize, we could revolutionize the housing market in Israel," Mr. Evron feels.

He says that his British partners are willing to invest "a very great deal of money" in putting up flats for rent. The main problem is the availability of land near the large metropolitan centres. "If the Government would meet us half way and make some of its land reserves, especially in the Tel Aviv and Jerusalem areas, available to us, and if it would cut the customs dues we have to pay for building materials and other supplies, we would be able to get the deal off the ground," Mr. Evron told The Post. The interview took place in his 21st floor office at the Shalom Towers. A giant autographed portrait of Moshe Dayan hangs on one wall, while the other is decorated by a large picture of the Chief of Staff.

Mr. Evron emigrated to Israel from his native Argentina in 1958 and started the Pan-Lon company with the construction of two houses in Bat Yam only eight years ago. He said that there is much talk now in government circles about changing the regulations so as to ease the construction of rental housing. "If this is true, it could give an enormous boost to this sort of enterprise. Among the changes now discussed, is a reduction in taxes for several years on the profits of the firm that rents out these flats. This could make the business worthwhile for many investors who, given the present market conditions, shun it in favour of construction apartments for sale."

houses it would construct for rent, and that it is going to see to it that the maintenance and upkeep of such houses is not neglected by the tenants. "In this country, there is a danger of such houses becoming slums. Even apartment houses in which the flats are owned by the occupiers are often neglected. The danger of deterioration is even greater when they don't own their homes. We plan to run such houses as they do abroad, with a resident porter to look after the house and garden," Mr. Evron said.

This plan, according to Mr. Evron, is "one of the many good things" that have sprung up as a result of the deal with Mr. Stern, for whom he spares no praise. "There is nothing so bad that no good comes out of it," he sighs, referring to the near panic which threatened the whole housing industry when newspaper reports revealed Pan-Lon's financial difficulties.

"Now we have backing such as we have never had before. Mr. Stern's assets are estimated at \$50m, and I can safely say that no housing company in Israel enjoys such sound financial backing as we do now. The fact that we

were able to secure Mr. Stern's partnership is a good thing for us and for the country," Mr. Evron says. But he insists that the "crisis" which threatened us and which necessitated our bringing in a partner was artificial. We fell victim to the power of the press to make or break an individual or a company. Freedom of the press is a fine thing, but responsibility and restraint must always be exercised in the public interest," he says with visible feeling.

"When an evening paper prints a front page spread about the imminent collapse of a company, without even bothering to verify its information beforehand, it is not only doing an injustice to Mr. Evron and to Pan-Lon, but to the thousands of people who invested their hard-earned savings in our flats," he says, and explains: "Rumours, even totally unfounded ones, can lead to a run on a bank, and such rumours have broken many a firm. Such reports could have hurt thousands of clients and workers, subcontractors and suppliers. The public interest would not have been harmed had the sensation not been featured on page one of a mass-circulation paper," Mr. Evron insists, almost passionately.

'Fiscal system dooms rental housing bids'

By MOSHE ATER,
Jerusalem Post Economic Editor

UNDEAVOURS to develop rental housing are doomed to failure, because they run counter to the fiscal system prevalent in this country which greatly favours occupier-owned dwellings, Professor Eytan Berglass said at a symposium organized by the Land Use Research Institute last week.

The general taxation system plus property tax, land betterment tax, and other charges all discriminate against non-occupier house ownership, he added.

The same problems are encountered in other countries and rental housing is actually retreating before occupier ownership, he said. Dr. Pines gave additional reasons for people's preference of occupier ownership. In the long run, rents tend to rise more than the general price level, he felt, owing to the limited supply of land available which causes land prices to appreciate, and also owing to technical lags in the construction industry which also adds to the cost of housing.

Dr. Pines estimated the cost of occupier ownership in this country to be about 50 per cent lower than that of renting a comparable dwelling. Half of this difference was due to income tax, and one-tenth to the effect of the lower interest rate charged on mortgages for occupier-owned houses.

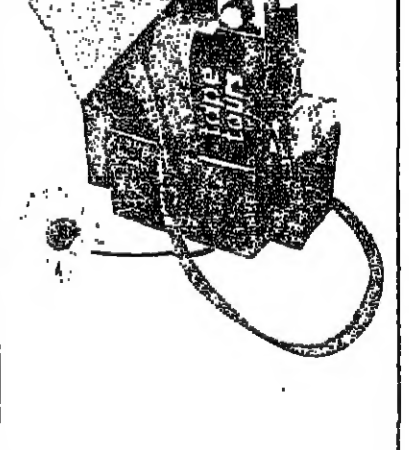
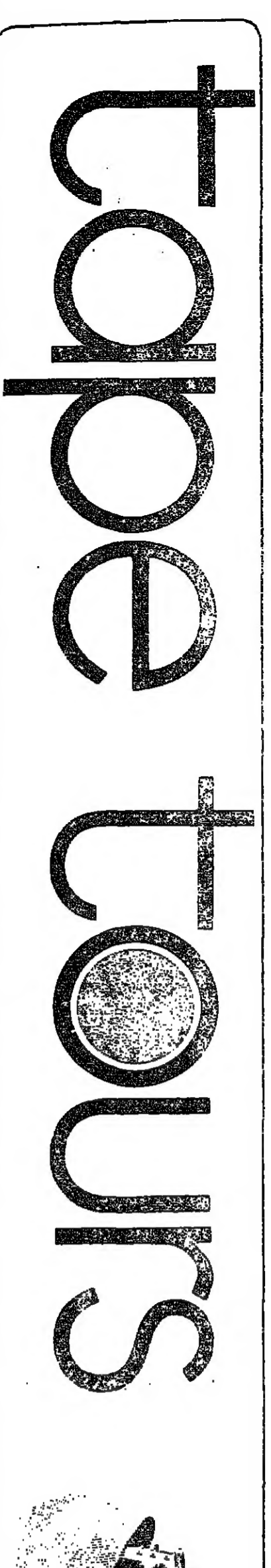
Nevertheless, he thought rental housing could be developed in Israel through the right policy, and could offer people flats at a rental averaging perhaps 25 per cent of the oc-

cupier's working wage. However, the Housing Ministry has never concerned itself with this problem. Instead of evolving a comprehensive policy for the best use of the nation's aggregate stock of residential property, it was concerned solely with the annual marginal additions to it.

Dr. Pines estimated that at present about 65 per cent of the nation's dwellings are occupier-owned. Amidar accounted for over 21 per cent, and other rented housing for 13 per cent. The free market in rental flats included only about 1 per cent of the nation's dwellings, as compared to about 30 per cent in the U.S., and more than that in Europe.

Dr. H. Darin-Drabkin dwelt on the high price of building plots in this country, which now exceeds that in Zurich and major Scandinavian cities. A major reason is the low tax on land property which encourages land owners to hold on to their property thus perpetuating the shortage. He suggested doubling the tax rate on empty urban land, raising it to 5 per cent, and remodelling the land betterment tax.

Mr. I. Staub of the Treasury disclosed that several amendments to the land betterment tax are under consideration at present. In particular, the present way of assessing the betterment would be replaced by reassessing the land, and the rate of tax applied to the increment would be fixed. Another change would be that an occupier-owned flat entitled to remission of the land betterment tax would be limited not by floor area, but by value.

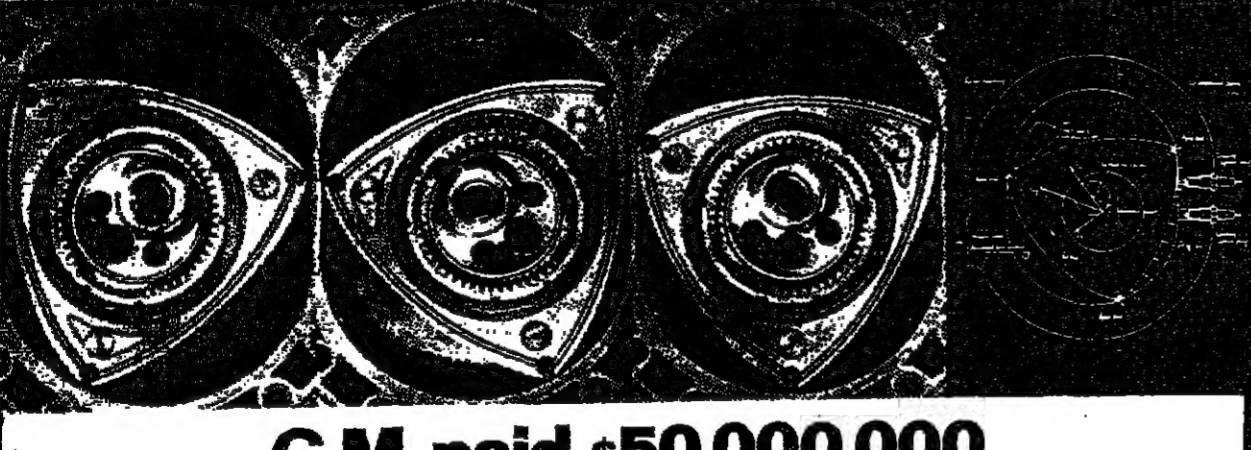


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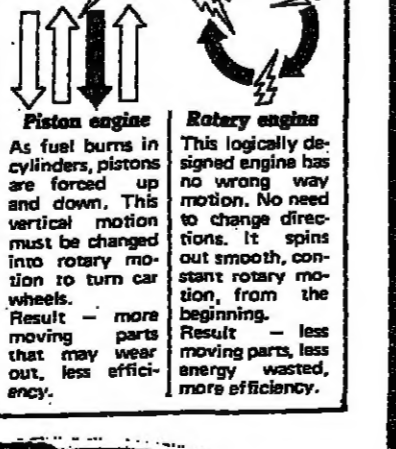
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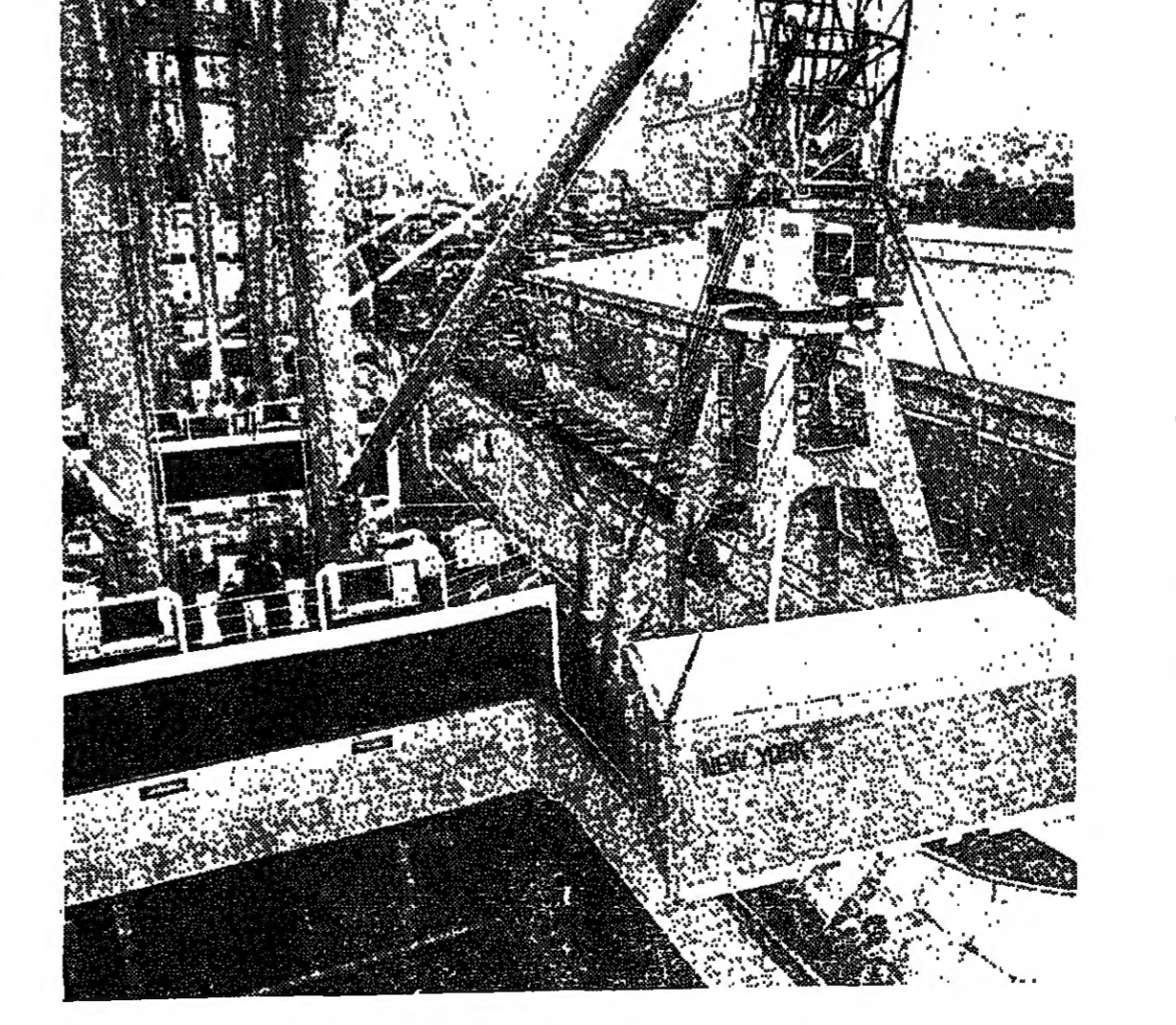
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YESTERDAY'S PRESS

Meir's achievement

Ha'aretz (non-party) comments on the postponement of the vote in the Knesset on the civil marriage bill: "The Prime Minister has accomplished what she wanted, and has succeeded in transforming a struggle for a minimum of decency towards couples who are precluded by the rabbinate from marrying into a struggle for the Labour Party's control of the Alignment. ..."

Al Hamaishmar (Mapam) explains: "The entire secretariat of Mapam is unanimous in the opinion that the bill is justified, and the argument was thus not over considerations of conscience. Opinions were divided as to the political and social reflections of the looming Government crisis. ..."

Hamodia (Agudat Yisrael) writes: "The tragicomedy of the past few weeks has meanwhile ended in comic fashion. Those who preached in favour of the bill in the name of conscience, retreated on the verge of the Cabinet seat which nearly slipped from under them. ..."

Hatzofe (National Religious) writes: "The Israel Defense Forces forbore until now from taking action, Tuesday, however, was the limit, and the I.D.F. set out to provide a reminder that Israel intends to root out the murderous nests on the border. ..."

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